

Message Text

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ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 SWF-02 AGR-20 AID-20 CIAE-00

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OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07

SS-20 STR-08 CEA-02 FEA-02 FPC-01 INT-08 EUR-25 EA-11

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INFO AMCONSUL BOMBAY

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E.O. 11652: N/A

TAGS: EFEN, IN

SUBJECT: FROM SHORTAGE TO NAPHTHA GLUT: INDIA'S SLACK PRODUCTION
PROBLEMS

REF: BOMBAY 1174 (NOTAL)

1. MANY IMPORTANT INDUSTRIES IN INDIA ARE HAMPERED BY SHORTAGES
OF VITAL RAW MATERIALS. FOR EXAMPLE, INDIAN FERTILIZER PLANTS HAVE
BEEN OPERATING AT ABOUT 60 PERCENT CAPACITY, WHICH HAS BEEN
ATTRIBUTED TO A CHRONIC LACK OF PETROLEUM-BASED FEEDSTOCKS
AS WELL AS POWER. THE INDIANS WILL PROBABLY HAVE TO IMPORT
1 1/2 MILLION TONS OF FERTILIZER IN 1974-75 AS WELL AS
SIGNIFICANT IMPORTS OF FOODGRAINS
WHICH MIGHT HAVE BEEN
LESSENED BY FERTILIZER PLANTS WORKING AT FULL CAPACITY.

2. TO OVERCOME FEEDSTOCK SHORTAGES, THE GOI DIRECTED INDIAN
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PETROLEUM REFINERIES THIS YEAR TO PRODUCE MORE NAPHTHA AND LESS

GASOLINE. YET INDIAN FERTILIZER PLANTS ARE STILL PRODUCING WELL BELOW CAPACITY FOR A VARIETY OF REASONS AND THE FORMER FEEDSTOCK SHORTAGE HAS TURNED INTO A GLUT. INDIAN FERTILIZER PLANTS CANNOT ABSORB THE NAPHTHA THAT IS NOW BEING PRODUCED, DEMONSTRATING THAT THE REAL PROBLEM IN THE FERTILIZER INDUSTRY IS NOT LACK OF FEEDSTOCK. WE'RE NOT SURE WE UNDERSTAND THE PROBLEM FULLY, BUT ELECTRIC POWER IRREGULARITIES, LABOR PROBLEMS, LACK OF SPARE PARTS, AND INEFFICIENT MANAGEMENT SEEM TO BE MAJOR REASONS FOR LAGGING PRODUCTION. NAPHTHA STORAGE IS BECOMING A REAL PROBLEM, WHICH HAS BEEN AGGRAVATED BY THE RECENT RAIL STRIKE AND OTHER TRANSPORTATION DIFFICULTIES. INDIA IS REPORTEDLY SELLING 40,000 TONS OF NAPHTHA TO WEST GERMANY AND JAPAN IN ORDER TO REDUCE THE CURRENT SURPLUS, BUT THE LONG-RANGE PROBLEM WILL NOT BE SOLVED UNTIL FERTILIZER PLANTS WORK REGULARLY AT A HIGHER CAPACITY. MOYNIHAN

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